

Portfolio Breakdown

The following is a breakdown of the Investment Pool holdings for January 2009

	Average (\$000)	% of Portfolio
U.S. Agency Securities	2,204,080	59.3%
Commercial Paper	-	0.0%
Taxable Municipal Securities	15,000	0.4%
Bankers Acceptances	-	0.0%
U.S. Agency Mortgage-backed Securities	69,092	1.9%
Repurchase Agreements	3,226	0.1%
Treasury Securities	619,660	16.7%
Certificates of Deposit	392,732	10.6%
Local Government Investment Pool	413,475	11.1%
Reverse Repurchase Agreements	-	0.0%
Total	\$3,717,265	

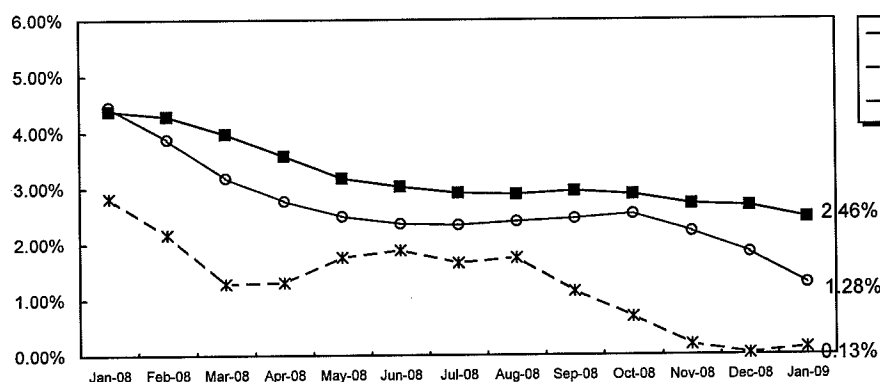
*Average Pool Effective Duration: 0.53 Years

*Duration is a measure of the length of the portfolio's expected cash flows and is a better measure of average portfolio life than maturity.

King County Pool Rating

In January 2008, the rating of the King County investment pool was temporarily suspended by Standard & Poor's pending further information being available on the outcome of restructuring proposals associated with each impaired investment. Three of four restructurings have been completed in 2008 with one remaining in early 2009. King County has initiated discussions with S&P to restore the pool's AAA rating and anticipates action in the first half of 2009.

Investment Pool Performance (before Pool fees)



(1) King County Pool Distribution rate has not been adjusted yet for realized losses from impaired commercial paper investments.

Pool Net Asset Fair Value on January 31, 2009

Net Assets (2)	3,774,387,848.72
Net Assets Consist of:	
Participant units outstanding (\$1.00 par)	3,743,387,862.36
Undistributed and unrealized gains(losses)	30,999,986.36
Net Assets	3,774,387,848.72
Net asset value at fair value price per share (\$3,774,387,848.72 divided by 3,743,387,862.36 units)	1.0083

(2) Excludes impaired assets that have been separated into a separate pool.

Performing Pool Comments: The King County Pool rate fell slightly from the previous month. This was mainly due to the maturing of higher yielding securities that had to reinvested at lower rates. However, because of the King County Pool's somewhat longer duration, it was not impacted as much as shorter money market funds were. We are now feeling the impact of the Federal Reserve Bank's dramatic lowering of interest rates from 1 percent to 1/4 percent in December. The Fed held another meeting at the end of January, but with the target rate already near zero they didn't make any further rate adjustments. However, they state that current economic conditions warranted low rates for some time. In addition to making a commitment to keeping rates low for a long time, the Fed has taken the unusual step of buying U.S. agency debt and mortgage-backed securities to support the housing and mortgage markets. They also made the commitment to buy longer-term Treasury securities if that was necessary to stabilize the credit markets. Clearly, the Fed is willing to use all its tools to jump start the economy to get the housing and credit markets working again. Given this environment, we will see lower interest rates on securities, and thus the King County Pool yield will trend lower. However, by having the ability to have some securities in the 1 to 5 year area in the portfolio, the Pool's yield will not fall as quickly as money market fund yields will.

The unrealized gain in the portfolio was nearly \$31 million at month-end. This month's reported unrealized gain was lower than last month's because interest rates for securities with maturities beyond a few weeks rose by about 1/4 to 1/2 percent, and since there is an inverse relationship between interest rates and market values, the unrealized gain in the portfolio decreased.

We are continuing the strategy of investing the pools assets in securities that have the support of the Federal government: U.S. agency obligations, U.S. Treasury securities, and certificates of deposit and savings accounts with banks that have received capital infusions from the U.S. Treasury. We continue to consult regularly with our investment consultant, PFM, and they concur with our current strategy. King County also remains committed to sharing information with pool members about investment holdings and the impacts of the current turmoil in global credit markets. Please call the Treasury Operations number at 206-296-7326 if you have questions or need any additional information.

Impaired Pool Holdings Report
1/31/2009

Commercial Paper Issuer	Status	Current Book Value	Estimated Future Cash Recovery	Estimated Future Unrealized Loss
Mainsail II (1)	Restructured	3,022,926.58	782,000.00	2,240,926.58
Cheyne Finance (1)	Restructured	787,502.14	507,750.00	279,752.14
Rhinebridge (1)	Restructured	1,885,308.88	1,134,600.00	750,708.89
Victoria Finance (2)	Restructuring In Progress	44,453,704.13	9,061,000.00	35,392,704.13
Total		50,149,441.73	11,485,350.00	38,664,091.74

Fair Value Ratio	0.2290
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(1) These amounts are related to cash that was retained for DTC indemnifications and other reserves. It could be as long as 2014 before these "tail" amounts are returned to investors, and it is possible that the amount recovered may be less than the estimate.

(2) Victoria Finance restructuring is not complete. These estimates are based on market price from a single dealer willing to provide a quote. Note that the intrinsic value estimate from Victoria's trustee for the King County Pool' proportionate share is about \$20.0 million, excluding the recent cash payments, and this is materially higher than the \$9.1 million single dealer valuation.

Impaired Pool Comments: The King County Executive Finance Committee approved bifurcation of the investment pool so that the impaired investments would be in their own pool separate from the main pool of "performing" investments. The effective date of the bifurcation was September 1, 2008 (this date was selected based on input from pool members). The reasons for bifurcating the pool were to: (1) ensure the yield on the performing assets is not negatively impacted by the impaired investments; (2) enhance transparency about the value of the performing pool and the impaired pool; (3) ease the implementation of the restructuring processes for the impaired investments; and (4) expedite the restoration of the Standard & Poor's rating for the performing pool.

The vast majority of the amount remaining bifurcated as of January 31st is associated with Victoria, the one investment waiting for restructuring. In addition to the \$8 million cash distribution that Victoria made to senior creditors in December, Victoria has now begun making regular monthly distributions. We did receive an additional \$435,000 in early January, and we expect these monthly distributions to continue at least until the restructuring process is concluded. We still expect the restructuring of Victoria to occur sometime in the first half of 2009.

The January market price nearly doubled from the December quote. While this is an improvement, it still is below the value estimated by Victoria's trustee. Victoria's trustee estimates an intrinsic value of about 38% versus a market price from a single dealer quote of 17% (based on original par amount of \$53.3 million). In addition, the January portfolio report for Victoria showed that over 87% on the underlying assets were still rated as investment grade by Standard & Poor's and Moody's. Adding the cash recoveries through January to the January dealer price (17%) results in an estimated recovery rate to senior investors of about 38%.

There are also "tail" payments from the other three completed restructurings (Cheyne, Rhinebridge and Mainsail) that will remain bifurcated until such time that we receive future cash payments and convert the remaining unrealized losses into realized losses.